

Message Text

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44-S

ORIGIN ARA-20

INFO OCT-01 ADP-00 PM-07 NSC-10 SS-15 RSC-01 CIAE-00

INR-10 NSAE-00 DODE-00 OMB-01 TRSE-00 SSO-00 NSCE-00

INRE-00 AID-20 L-03 /088 R

DRAFTED BY ARA/CEN/N:SHLIPPE:SLC

7/16/73 EXT 20602

APPROVED BY ARA/CEN:DLAZAR

ARA/CEN:LAPEZZULLO

ARA/CEN/N:SHLIPPE

ARA/PLC:RMELTON

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FM SECSTATE WASHDC

TO AMEMBASSY MANAGUA IMMEDIATE

S E C R E T STATE 139681

E.O. 11652: GDS

TAGS: PFOR, NU

SUBJECT: 1974-75 CASP

1. PRE-IG MET JULY 12 TO CONSIDER NICARAGUA CASP.
CONSOLIDATED CHANGE SHEET RESULTING FROM MEETING
BEING POUCHED TO ARRIVE MANAGUA JULY 17 (POUCH NO X3-28348,
INVOICE NO. C 169, REG. NO. 1462719. IG WILL MEET
JULY 24 TO CONSIDER PRE-IG APPROVED CONSOLIDATED
CHANGE SHEET AND TWO KEY ISSUES THAT EMERGED.

2. ISSUE NO. 1 WAS RESTATED TO READ "WHAT ROLE SHOULD
THE UNITED STATES PLAY IN THE SOCIAL AND POLITICAL
DEVELOPMENT OF NICARAGUA DURING THE RECONSTRUCTION
AND RECOVERY PERIOD?" IMPORTANT ASSUMPTIONS WERE MODIFIED
SOMEWHAT AND THE ISSUE RESOLUTION WAS EXPANDED TO
REFLECT THE INCREASED OPPORTUNITIES AVAILABLE TO US.
SUITABLE COURSES OF ACTION WERE ADDED.

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3. THE PRE-IG AGREED THAT, BEGINNING IN FY '75 THE MAP

PROGRAM SHOULD BE PHASED DOWN. THE IG WILL CONSIDER PROGRAM AND PERSONNEL LEVELS. SUGGESTED PHASE DOWN OBEYS BUDGETARY AND CONGRESSIONAL PRESSURES ON MILITARY ASSISTANCE PROGRAMS AND OUR UNDERSTANDING THAT BY END OF FY '74 MOST RECONSTRUCTION RELATED EQUIPMENT NEEDED BY THE GUARDIA NACIONAL WILL HAVE BEEN DELIVERED. TO

ENSURE IG FULLY AWARE OF EMBASSY THINKING, PROVIDE JUSTIFICATION FOR FY '75 MAP MATERIEL LEVEL OF \$720,000 PROPOSED, AS WELL AS JUSTIFICATION FOR PROPOSED LEVELS OF FMS CREDIT AND EXCESS DEFENSE ARTICLES. EMBASSY SHOULD BE AWARE THAT PRE-IG AGREED WE SHOULD ACCENTUATE PROFESSIONALISM AND AVOID MATERIAL INPUTS WHICH REINFORCE THE IMPRESSION THAT THE US SEEKS TO BOLSTER SOMOZA'S ULTIMATE POWER BASE.

REQUEST CT RECOMMENDATIONS.

4. ISSUE NO. 2 WAS SEVERELY CRITICIZED BY OMB, TREASURY AND DEPARTMENT ECONOMISTS FOR FAILING TO ADDRESS THE PROBLEM OF NICARAGUAN PERFORMANCE AND CAPABILITY IN CONSIDERING ASSISTANCE INPUTS. THE ISSUE HAS BEEN RESTATED TO READ: "WHAT SHOULD BE THE MEASURE OF NICARAGUAN SELF-HELP IN ITS RECONSTRUCTION DEVELOPMENT EFFORT?" THE PRE-IG RECOMMENDED THAT THE IG CONSIDER NICARAGUAN ABSORPTIVE CAPACITY IN ASSIGNING LOAN LEVELS. THE LOAN LEVEL FOR FY '75 AS SUBMITTED IN THE CASP WAS PARTICULARLY CRITICIZED ASSUMING THAT THE \$50 MILLION RECONSTRUCTION PACKAGE WAS INCLUDED IN FY 74 FUNDING. PRE-IG CONSENSUS SUPPORTED THE RECONSTRUCTION PACKAGE WHICH WOULD BE PROGRAMED FOR BOTH FY '74 AND '75. THE PRE-IG ALSO NOTED THAT THE LEVEL OF ASSISTANCE PLANNED FOR DEVELOPMENT ACTIVITIES WAS CONSIDERABLY HIGHER THAN PREVIOUS YEARS AND SUGGESTED THAT THE \$16 MILLION PROPOSED FOR FY '74 WAS SUITABLE, BUT THAT THE FY '75 PROGRAM SHOULD BE REDUCED

THE PRE-IG EMPHASIZED THAT EVEN AT THOSE LOWER LEVELS THIS WOULD REPRESENT A SIZEABLE UNDERTAKING FOR THE GON AND RECOMMENDED THAT ALL ASSISTANCE

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INPUTS SHOULD BE GEARED TO THE GON'S PERFORMANCE IN CARRYING OUT THE MEASURES LISTED IN THE ISSUE RESOLUTION OF ISSUE NUMBER 2. REQUEST CT PROVIDE PROGRAM PROPOSALS FOR FY '75 BASED ON THIS.

5. PLEASE PROVIDE RECOMENDED CU LEVELS.

6. DEPARTMENT WOULD APPRECIATE CT COMMENTS TO ARRIVE

HERE FOR OPENING OF BUSINESS JULY 23.

RUSH

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NNN

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